



MIDLAKES BUSINESS OFFICE

Daniel Friday, Business Administrator

PHELPS-CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT

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To: Tracy Altman, Board of Education President
From: Daniel Friday, School Business Administrator
Subject: External Audit Findings and Corrective Action Plan

During the examination of the of the district's regulatory audit for fiscal year ending June 30, 2026, the external auditor noted the following deficiencies. The corrective action necessary to address each deficiency is listed under the District's response section. The audit results were very positive, and the financial condition of the District remains in good overall condition.

School Lunch Fund

Finding:

Federal Regulation #7CFR Part 210.14(b) recommends the School Lunch Fund balance not exceed six months average operating expenditures. The fund balance at June 30, 2026 totaled \$942,469 which exceeded the recommended balance by \$188,441.

Recommendation:

We recommend the District continue to monitor the fund balance in order to comply with the Federal Regulation

Response:

The District has issued purchase orders for needed food service equipment in the amount of \$169,996, and will continue to monitor ongoing revenues and expenditures throughout the year to achieve a compliant fund balance. The total fund balance will be less than six months average operating expenditures by June 30th, 2027.

Overtime Reporting

Finding:

As a result of the change in legislation the District is required to calculate and include qualified tax-exempt overtime in the employee's W-2 at the end of this year. Qualified overtime based on the new legislation may be inconsistent with overtime as defined in current contracts. In response, the software companies have provided a fix, however, it may still require a manual review of overtime to ensure the qualified overtime is consistent with the new legislation. The District has developed procedures to calculate and identify qualified overtime.

Recommendation:

We recommend the District document their procedures to calculate and identify qualified overtime and consider implementing a procedure for an independent review of the eligible overtime reported on a monthly basis.

Response:

A process for calculating qualified overtime has been implemented. The District will coordinate with its BOCES partners to document procedures for identifying qualified overtime and will implement a monthly review of the eligible overtime reports. The monthly review will be implemented by December 31st, 2026, and the written procedures will be completed by June 30th, 2027.